

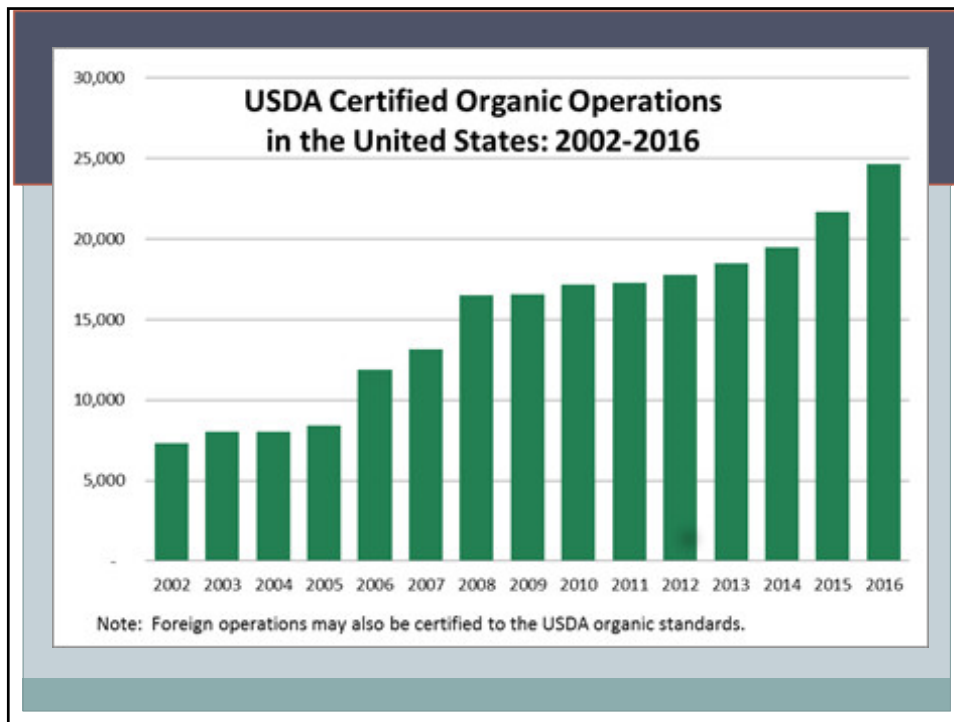
OGRAIN Conference January 26-27, 2018



Presented by:
Tim Boortz
Grain Marketing Consultant
877.589.3653

As of the end of 2016,
24,650 U.S. organic farms
and processing facilities
were certified
to **USDA organic regulations.**

Source: USDA



Since the USDA started collecting data in 2002, the number of domestic organic operations has increased by more than 300%.

Source: USDA

Are These Names Familiar?

General Mills - (Small Planet Foods)

Pepsi

Coke

Cargill

Bunge

The Organic Industry on the Buy Side is Beginning to Look Like Conventional

Some familiar names:

Costco-\$13 B

Walmart-\$13 B

Whole Foods-\$13B

Organic is the Future of American Agriculture

- Errol Schweitzer, Executive Global Grocery Coordinator at Whole Foods Market
- Whole Foods is a multi-billion dollar industry leading retailer with 400 stores
- Consumers are demanding;
- More information about a products ingredient list
- Accentuate what's not in the product as much at what is.
- Prove our commitment to product safety by enforcing and publicizing strict internal standards

From 2010 to 2014 Sale of Non-GMO Products Increased

Over 400%

Conventional food – 2.5%

Mr. Schweitzer concluded “Organic is the future of agriculture, and there is no other trend.”

India Organic Food Market to Grow at Over 25% Through 2020

Source: TechSci Research

Costco

**What are the challenges in sourcing
quality organic items?**

**“The biggest thing is making sure
we have a constant, consistent
supply...” (Jan. 2016)**

The Organic Grain Market is Unique

- To date there is no futures market
- USDA publishes some grain prices but only every two weeks at best
- Finding buyers and knowing what price to ask is a big challenge for anyone who has been in organic farming for any length of time, much less someone just starting.



Getting more from today's markets ♦ Creating tomorrow's new markets ♦ Putting price negotiation to work for you

Growers tell their story

I had 13 semi-loads of grain leave the yard within a week. If I was standing alone, I would have been a nervous wreck. But I knew the deal was solid, because NFOrganics made sure of it.

—Charlie Johnson, NFOrganics Producer

- Carmen Fernholz states that you can figure 15-20% of your time each week on marketing if you do it yourself.
- Rarely is anything done in organic marketing without some type of contract.
- Farmers' Guide to Organic Contracts by FLAG-Seven Rules of Contracting.
- Rule #1- The contract almost always favors the party who wrote it!!!

Broker vs. Marketing Agent

- A broker is a professional middleman who purchases products at the lowest possible price.
- A marketer is an agent for a producer with their best interest in mind.
- If a professional athlete or actor employs an agent, why shouldn't you?

Marketing Considerations

- Have a market before you grow it
- Nearby markets – farms, mills, etc.
- Contracts
- Credit worthiness
- Logistics
- Collections/payments

Mistakes in Marketing

- Believing that marketing costs nothing or someone will do it for you for nothing
- Not negotiating for your costs
- Delivery across state lines can become an issue
GMO Testing
- Handling and storage
- Grain specifications
- Representative samples

Hiring an Agent

Considerations:

1. Do you have something you can contract to sell?
2. What volume do you have?
3. How can you protect yourself if something goes wrong?
4. Getting you paid as rapidly as possible

What Does It Cost?

5 ½ to 6 ½ percent of gross sales

*****Remember*****

If you are writing the check, the agent works for you.

If someone tells you there is no cost, I'd walk away from it.

“Farmers who do have a marketer seem to access the markets more fluidly. Those who don’t “seem to be less aware of the marketing opportunities out there.” Also, “they may not know what the markets are for their rotation crops. And I think that is where a marketer might really come in handy.”

- Nate Lewis, Organic Trade Association

Source: Agripulse.com February, 2016

Price History

2008 — Great Prices

2009 — To Death Valley Prices

2010 — 10% quit, Recovery begins

2011 — Great Prices

2012 — Organic Eggs Lead Demand

2013/2014 — Strong Prices/Demand Continues

2015-2017 — Influence of Imported Grains

Marketing Organic Crops: Contract Pricing



Weekly National Organic Summary Monday, October 17, 2016 - Friday, October 21, 2016

Click on the tan heading for more market information or USDA logo to visit the AMS website

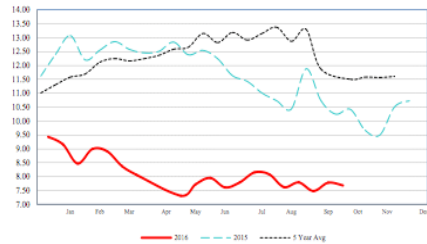
Organic Grain

FOB Farm Gate Organic Prices

Prices Quoted in Dollars Per Bushel**

Commodity	Price Range	Avg Price	Previous Period	Prior Year	5 Year Avg
#2 Yellow Corn	NA	NA	NA	NA	NA
Food	NA	NA	NA	10.42	11.50
Feed	NA	NA	NA	21.36	23.64
#1 Yellow Soybeans	NA	NA	NA	NA	NA
Food	NA	NA	NA	NA	NA
Feed	NA	NA	NA	NA	NA

National FOB Farm Gate Organic #2 Yellow Corn Feed Grade



Organic Dairy

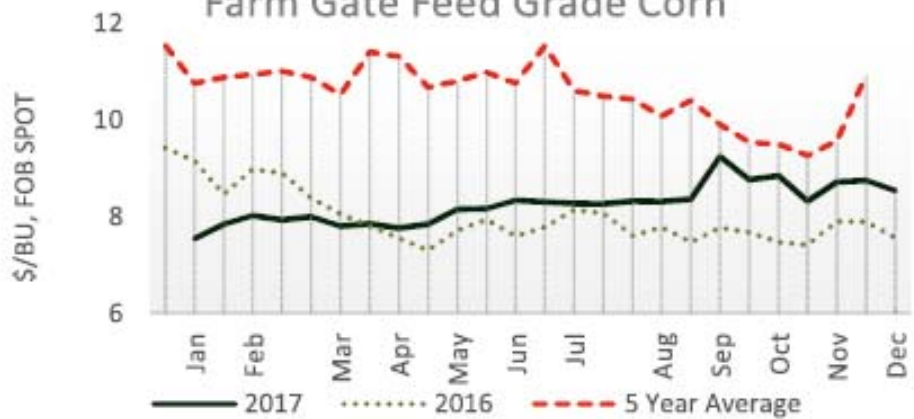
Retail Weekly Organic Prices

Commodity	Store Count	Avg Price	Prior Week	Prior Year	4 Year Avg
Butter: #1	NA	NA	NA	4.58	NA
Cheese: 8 oz Block	NA	NA	NA	4.75	NA

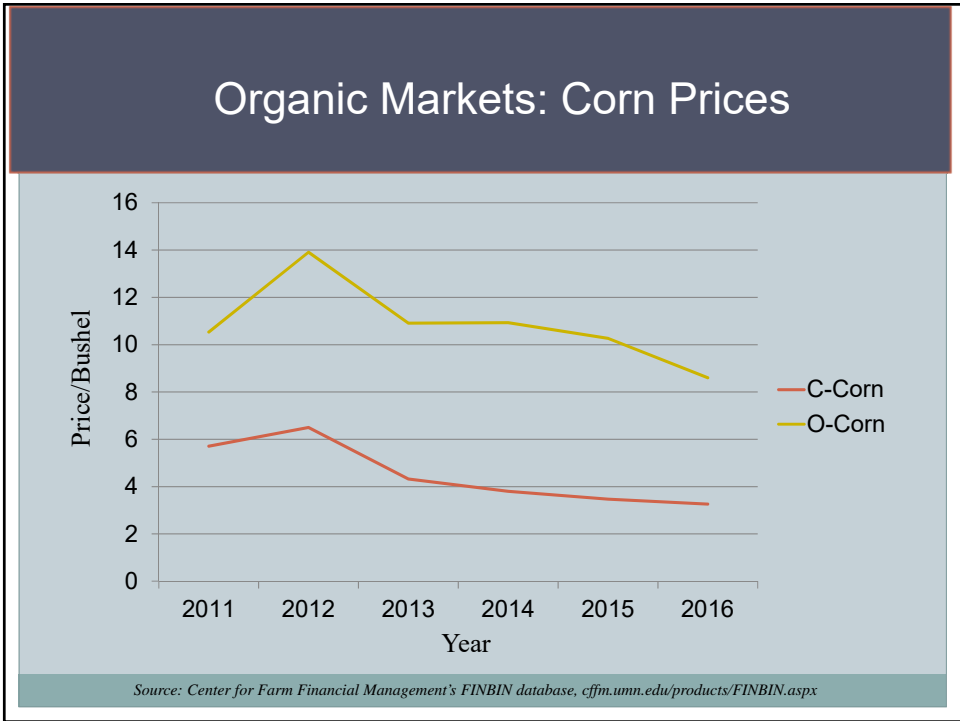
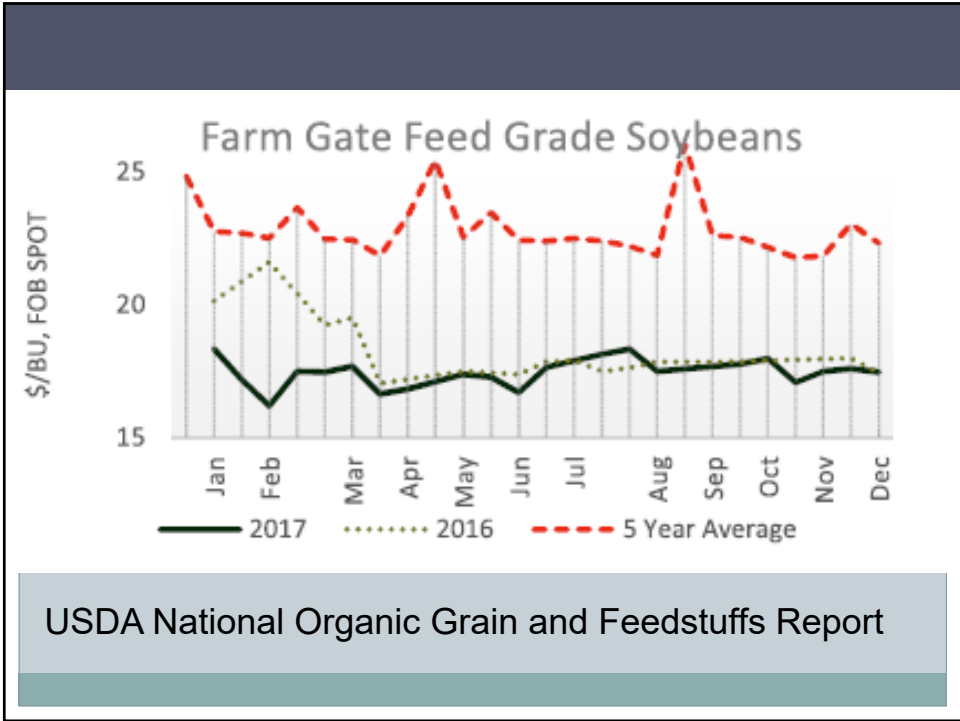
National Organic Retail Milk (Half Gallon)

<https://www.ams.usda.gov/market-news/organic>

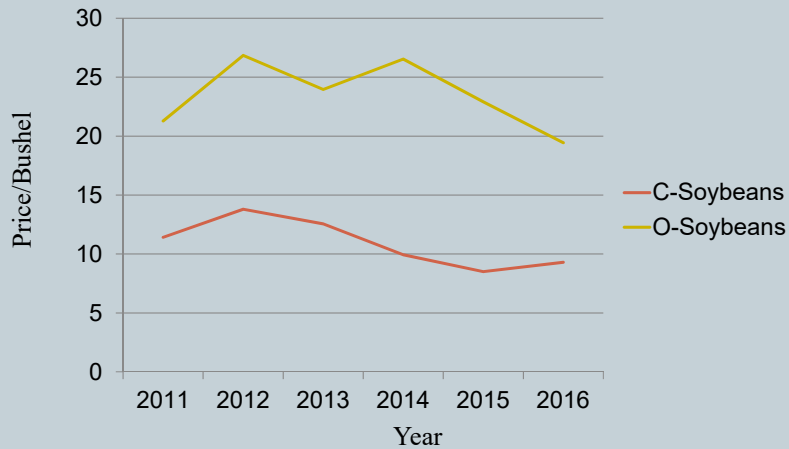
Farm Gate Feed Grade Corn



USDA National Organic Grain and Feedstuffs Report



Organic Markets: Soybean Prices



Source: Center for Farm Financial Management's FINBIN database, cffm.umn.edu/products/FINBIN.aspx

Organic Markets: Profitability

MN FARMS: CORN ENTERPRISE AVERAGES	2011-2016	
	Conventional	Organic
Number of acres per farm	395	80
Yield (bu/acre)	165	107
Price (\$/bu)	4.51	10.94
Gross return per acre	744.15	1,170.58
Direct & overhead expenses per acre	670.07	638.67
Net return per acre	74.08	531.91
Net return for corn enterprise	\$29,262	\$42,553

Source: Center for Farm Financial Management's FINBIN database, cffm.umn.edu/products/FINBIN.aspx

Marketing Organic Crops: Buyers

Visit Organic Trade Shows:

- Iowa Organic Conference (IA)
- Illinois Specialty Crops, Agritourism and Organic Conference and Trade Show (IL)
- Minnesota Organic Conference (MN)
- Northern Plains Sustainable Ag Society Annual Conference (SD)
- MOSES Organic Farming Conference (WI)
- Ohio Ecological Food and Farm Association Conference (OH)

Organic Challenges: Limited Infrastructure

- Handling facilities
- Processing capacity
- Off-farm storage at grain elevators

Marketing Organic Crops: Buyers

- Farmer-Owned Cooperatives (e.g., Organic Valley and OFARM)
- Grain companies/elevators
- Feed mills
- Feed lots
- Processors
- Brokers

- Currently many producers in the face of collapsing conventional commodity prices are considering transition to organic.
- How do we orderly transition them so they don't put themselves and everyone who is already organic at risk of collapsing organic prices?
- How to get consumers to conscientiously buy more organic food made from U.S. organic grains.
- 75% of global respondents cite country of origin as the most important criteria to buying organic products.

Strategies to Help You

- ◆ Delivery times and schedule negotiations
- ◆ National inventory and harvest estimates
- ◆ Financial background checks on potential buyers
- ◆ Handle your logistic needs

You'll Profit More

- ◆ Better prices, better contract terms
- ◆ Price monitoring and market intelligence
- ◆ Contract monitoring for timely payment

NE
Organics

Thank You!